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S E C R E T RANGOON 000125

SIPDIS

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TAGS: [PREL](#) [ENRG](#) [KNNP](#) [BM](#) [CH](#)

SUBJECT: CHINESE DAMS, CHINESE INFLUENCE IN BURMA

REF: RANGOON 88

Classified By: COM CARMEN M. MARTINEZ FOR REASON 1.5(D).

1. (SBU) SURGING CHINESE SOCIO-ECONOMIC INFLUENCE: Emboffs traveling on GOB-organized "Study Visit" to border regions and central Burma January 23 - 26 witnessed a high degree of Chinese socio-economic influence across a 325-mile stretch of Burma's Shan State border with China, especially in the self-administered autonomous regions of ethnic minority cease-fire groups. Even in the interior northern towns of Lashio, Kengtung, and Maymyo (Pwin U Lwin) we saw and heard clear indications of major Chinese economic inroads. Another emboff who traveled to the Chinese border regions with UNODC will report septel on some striking indications of Chinese dominance of the economy and social fabric in some parts of Burma's frontier regions.

2. (SBU) THE HIGH DAM: Emboffs visited the Ye Ywa Dam site, located 39 miles SW of Mandalay. Scheduled for completion in 2007, the 433 foot high dam will create a reservoir filling a canyon some 45 miles long. When completed the dam's hydro plant will generate 790 MW of electricity, adding significantly to the current countrywide total of perhaps 1,500 MW. A Swiss firm, Colenco Power Engineering Co., has provided the engineering consulting expertise, and the Export-Import Bank of China provided a \$200 million soft loan to cover two-thirds of the hard-currency costs of the project. This loan was agreed to during Senior General Than Shwe's January 2003 visit to the PRC, and is to be used to purchase Chinese equipment and material for the dam project. The GOB sees this project providing the energy for industrial expansion of a large swath of central Burma in coming years.

3. (SBU) CHINESE CONSULTANTS, TIED LOANS: After visiting a major irrigation scheme near Salin on the Irrawaddy River in Magway Division (equipped with massive Chinese pumping equipment) emboffs then toured a nearly complete, multi-purpose dam 48 miles WNW of Minbu. The Mone Dam is financed by a soft Chinese loan of \$32 million from the China International Investment & Trust, specifically for the purchase of Chinese equipment and material. In addition, the Mone Dam utilizes Chinese engineering consultants. Schedule to be finished in March 2004, the 200 foot high dam will provide irrigation water and 75 MW of hydro-electricity.

4. (C) COMMENT: With no guiding political ideology, Burma's military regime seems to be pursuing the aim of "legitimacy through infrastructure." Chinese soft loans for Burmese infrastructure projects provide the capital-poor SPDC with a lifeline to resources badly needed to meet the regime's developmental goals.

5. (S) COMMENT CONTINUED: Emboffs were flown on a Burmese Air Force MI-17 helicopter the 48 miles across the dry, flat plains of Magway Division from Mone Dam to Minbu on a clear day with good visibility. If the GOB were attempting to hide a sensitive weapons or other facility NW of Minbu, it seems odd that they chose to fly us over that route. At Mone we witnessed around-the-clock work being done to complete the dam within the next 60 days, including the installation of heavy-gauge (inch and a half) iron re-rod in the 210-foot deep concrete-lined surge tank. Reports (ref) of suspiciously heavy rebar being off-loaded at Minbu could conceivably have been based on sightings of materials being rushed to complete the Mone Dam. End Comment.

Martinez